

Message Text

UNCLASSIFIED

PAGE 01 PARIS 02151 01 OF 04 241841Z

43

ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04

SIL-01 L-02 H-02 PA-02 PRS-01 USIA-15 /101 W

----- 028941

R 241828Z JAN 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 6163

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL BORDEAUX

AMCONSUL LYON

AMCONSUL MARSEILLE

AMCONSUL NICE

AMCONSUL STRASBOURG

UNCLAS SECTION 01 OF 04 PARIS 02151

PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EALR, EFIN, EGEN, FR

SUBJECT: FRENCH FINANCIAL AND ECONOMIC DEVELOPMENTS

REF: PARIS 00823, JANUARY 10, 1975

1. SUMMARY. PRESIDENT GISCARD D'ESTAING GAVE GENERALLY UPBEAT ADDRESS ON FRENCH ECONOMY JANUARY 23, BUT NOTABLY BACKED OFF FROM GOF'S PREVIOUS FORECASTS OF 4.0-4.2 PERCENT GROWTH RATE FOR 1975; GISCARD NOW SAYS RATE WILL BE "BETWEEN 3 AND 4 PERCENT." MEANWHILE, INDUSTRIALISTS CALL FOR END TO GOF DEFLATIONARY POLICIES AND OFFER THEIR OWN PROGRAM TO RE-STIMULATE ECONOMY. NEAR-TERM ECONOMIC OUTLOOK REMAINS CLOUDY - ALTHOUGH TENTATIVE SIGNS APPEAR INDICATING WORST MAY BE OVER.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PARIS 02151 01 OF 04 241841Z

END SUMMARY.

2. GISCARD UPBEAT ON ECONOMY DESPITE PATRONAT'S
CHALLENGE -

IN LATEST IN HIS SERIES OF "FIRESIDE CHATS"
JANUARY 23, PRESIDENT GISCARD D'ESTAING PRE-
SENTED FAIRLY OPTIMISTIC ACCOUNT OF FRENCH ECONOMIC
PROSPECTS FOR 1975, GIVING CONSIDERABLE WEIGHT TO
RECENT IMPROVEMENT IN TRADE ACCOUNT (PARA. 4 BELOW)
AND PROJECTING GROWTH RATE OF 3 TO 4 PERCENT OVER
COURSE OF YEAR. (LATTER REPRESENTS MARKED RETREAT
FROM FINANCE MINISTER FOURCADE'S PERSISTENT FORECASTS
OF 4.0-4.2 PERCENT GROWTH RATE FOR 1975.) DETAILS OF
PRESIDENT'S SPEECH BY SEPTEL.

GISCARD'S SANGUINE OUTLOOK NOTWITHSTANDING,
PRIVATE INDUSTRY REMAINS CONVINCED GOVERNMENT HAS KEPT
SCREWS ON TOO LONG. FRENCH PATRONAT (ROUGHLY EQUIVALENT
TO NAM) HELD ANNUAL GENERAL MEETING IN PARIS JANUARY 14
AND CALLED ON GOF TO SCRAP ITS DEFLATIONARY POLICIES.
PATRONAT CHAIRMAN FRANCOIS CEYRAC SAID IT NOW NECESSARY
TO REFLATE AT LEAST TO EXTENT NECESSARY TO ENSURE THAT
1975 ECONOMIC GROWTH WILL EQUAL ESTIMATED 4.5 PERCENT
RATE FOR 1974.

PATRONAT PUT FORWARD ITS OWN PROGRAM TO COMBAT
INFLATION, INCLUDING ABOLITION OF PRICE CONTROLS,
EASING OF CREDIT RESTRICTIONS FOR KEY SECTORS, GREATER
INVESTMENT ALLOWANCES AND "MASSIVE REORGANIZATION OF
INDUSTRY" SPONSORED BY GOF. ADDITIONALLY, PATRONAT
SEEKING REVIEW OF ACCOUNTING PROCEDURES WHICH ESTABLISH
COMPANIES' ASSET VALUES FOR TAX PURPOSES, PLUS GREATER
TAX INCENTIVES TO DIRECT SAVINGS TOWARDS LONG-TERM
INVESTMENT.

3. ECONOMIC OUTLOOK: "BOTTOMING-OUT"?

IN ITS LATEST SURVEY OF FRENCH ECONOMIC OUTLOOK,
CONDUCTED DURING DECEMBER, BANK OF FRANCE REPORTS
INCREASING NUMBERS OF INDUSTRIALISTS FORESEE SOME
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 PARIS 02151 01 OF 04 241841Z

PICK-UP IN INTERNAL DEMAND DURING COMING MONTHS,
ALTHOUGH NO REAL EXPANSION IN OUTPUT EXPECTED BEFORE
SECOND HALF 1975. WHEREAS SURVEY RESPONDENTS IN PRE-
VIOUS MONTHS GENERALLY PESSIMISTIC FOR NEAR-TERM,
MAJORITY NOW REPORTEDLY BELIEVE MOST DIFFICULT PERIOD
HAS BEEN WEATHERED AND THAT DETERIORATION IN ECONOMY
NOW UNLIKELY TO CONTINUE.

PREVAILING VIEW IN MOST SECTORS IS THAT DEPLETION OF INVENTORIES LIKELY TO COMMENCE DURING SPRING MONTHS AND EVENTUALLY LEAD TO RENEWED DOMESTIC DEMAND. IN CAPITAL-EQUIPMENT SECTOR, OVERALL ACTIVITY RELATIVELY SUSTAINED IN DECEMBER WITH FOREIGN ORDERS CONTINUING TO COMPENSATE FOR MEAGER DOMESTIC DEMAND; EXCEPT IN HEAVY-EQUIPMENT BRANCH, HOWEVER, INDUSTRIALISTS FAIRLY

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 PARIS 02151 02 OF 04 241853Z

43

ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04

SIL-01 L-02 H-02 PA-02 PRS-01 USIA-15 /101 W

----- 029037

R 241828Z JAN 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 6164

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL BORDEAUX

AMCONSUL LYON

AMCONSUL MARSEILLE

AMCONSUL NICE

AMCONSUL STRASBOURG

UNCLAS SECTION 02 OF 04 PARIS 02151

CAUTIOUS IN NEAR-TERM OUTLOOK FOR SECTOR. AMONG INTERMEDIATE-GOODS PRODUCERS, REVIVAL IN ACTIVITY NOT EXPECTED FOR SOME MONTHS IN VIEW OF SUBSTANTIAL INVENTORIES AND DECLINING ORDERS IN DECEMBER. IN CONSUMER-GOODS SECTOR, SEASONAL DECLINE IN OUTPUT UNUSUALLY SEVERE IN DECEMBER - DUE LARGELY TO SALES LOST DURING

POSTAL STRIKE, ACCORDING TO BANK SURVEY. NEAR-TERM
OUTLOOK FOR SECTOR HINGES ON EXTENT OF SEASONAL
INCREASE IN PURCHASES BY RETAILERS AND HOUSEHOLDS
DURING EARLY SPRING.

4. TRADE ACCOUNT SHOWS SURPLUS IN DECEMBER -

FOR FIRST TIME IN 12 MONTHS, FRENCH TRADE ACCOUNT
MOVED INTO BLACK IN DECEMBER WITH SURPLUS OF 403 MILLION
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PARIS 02151 02 OF 04 241853Z

FRANCS (SEASONALLY ADJUSTED, FOB-FOB). FOR 1974 AS
A WHOLE, TRADE DEFICIT AMOUNTED TO 16.0 BILLION FRANCS -
WHICH, WITH ADDITION OF FINAL ACCOUNTING ENTRIES FOR
FRENCH OIL IMPORTS, SHOULD AMOUNT TO ABOUT 17 BILLION
FRANCS - A FIGURE WELL BELOW LAST SUMMER'S OFFICIAL
PREDICTION OF 22 BILLION FRANC DEFICIT FOR 1974.

SEASONALLY ADJUSTED IMPORTS DECLINED 3 PERCENT
FROM FF 19.6 BILLION IN NOVEMBER TO FF 19.0 BILLION IN
DECEMBER. EXPORTS WERE UP 0.5 PERCENT FROM FF 19.3 BIL-
LION IN NOVEMBER TO FF 19.4 BILLION IN DECEMBER. FOR
YEAR AS A WHOLE, IMPORTS HAD RISEN 53.8 PERCENT WHILE
EXPORTS INCREASED 37.3 PERCENT OVER 1973 TOTALS.

FRENCH FOREIGN TRADE
(SEASONALLY ADJUSTED; IN BILLIONS OF FRANCS,FOB-FOB)

	74-I	74-II	74-III	74-IV	YEAR
IMPORTS	55.3	62.3	63.8	58.5	239.2
EXPORTS	52.0	56.9	57.6	57.2	223.1
BALANCE	-3.3	-5.4	-6.2	-1.3	-16.0

AS NOTED PREVIOUSLY, RECENT IMPROVEMENT IN TRADE
ACCOUNT CAN LARGELY BE ATTRIBUTED TO SLOWDOWN OF FRENCH
ECONOMY IN SECOND HALF AND CONSEQUENT DECLINE IN
DEMAND FOR IMPORTS: SINCE JULY, EXPORTS HAD INCREASED
ONLY 1.6 PERCENT WHILE IMPORTS FELL OFF BY MORE THAN
16 PERCENT. FRANC IMPORT VALUES HAVE PROBABLY ALSO
BEEN HELD DOWN BY SOME SOFTENING IN WORLD PRICES OF
PRIMARY PRODUCTS (PARA. 8 BELOW) AND STRENGTHENING IN
FOREIGN EXCHANGE VALUE OF FRANC. HOWEVER, STATE SECRE-
TARY FOR FOREIGN TRADE NORBERT SEGARD LINKED
DECLINING LEVEL OF IMPORTS TO "INITIAL EFFECTS" OF
GOF'S ENERGY CONSERVATION PROGRAMS. (FRENCH CONSUMP-
TION OF PETROLEUM PRODUCTS DROPPED 5.6 PERCENT IN
1974, COMPARED TO 11.6 PERCENT INCREASE IN 1973; SEE

PARIS 1954.)

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 PARIS 02151 02 OF 04 241853Z

SEGARD REMAINED CAUTIOUS ABOUT ULTIMATE SIGNIFICANCE OF DECEMBER RESULTS, SAYING TRENDS "NOT YET CONSTANT ENOUGH" TO PROCLAIM GOAL OBJECTIVES REACHED. NEVERTHELESS, OFFICIAL FORECAST FOR 1975 TRADE ACCOUNT (OVERALL DEFICIT OF FF 10 BILLION OR LESS) NOW SEEMS MORE PLAUSIBLE THAN HERETOFORE.

5. UNEMPLOYMENT REACHES 3.4 PERCENT AT YEAR'S END -

THE NUMBER OF REGISTERED UNEMPLOYED (SEASONALLY ADJUSTED) ROSE TO 660,000 AT END OF DECEMBER, UP FROM REVISED FIGURE OF 629,300 SET FOR END NOVEMBER AND FROM 421,800 AT END OF 1973. ON BASIS OF AVAILABLE DATA, WE CALCULATE SEASONALLY-ADJUSTED UNEMPLOYMENT IN DECEMBER AT ROUGHLY 3.4 PERCENT OF LABOR FORCE. (SEE PARIS A-535 FOR METHODOLOGY.)

LABOR MARKET INDICATORS
(SEASONALLY ADJUSTED QUARTERLY AVERAGES;
IN THOUSANDS)

74-I 74-II 74-III 74-IV

REGISTERED

UNEMPLOYED 440.8 443.1 474.3 615.9

UNFILLED JOB

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 PARIS 02151 03 OF 04 241847Z

43

ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04

SIL-01 L-02 H-02 PA-02 PRS-01 USIA-15 /101 W

----- 028953

R 241828Z JAN 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 6165

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL BORDEAUX

AMCONSUL LYON

AMCONSUL MARSEILLE

AMCONSUL NICE

AMCONSUL STRASBOURG

UNCLAS SECTION 03 OF 04 PARIS 02151

OFFERS 231.5 238.5 202.3 133.7

EST. OVERALL

UNEMPLOYMENT

(AS PERCENT OF

LABOR FORCE) 2.3 2.3 2.5 3.2

DECEMBER FIGURES REFLECTED MODEST IMPROVEMENT
IN EMPLOYMENT SITUATION RELATIVE TO PRECEDING TWO
MONTHS: NUMBER OF REGISTERED UNEMPLOYED GREW BY "ONLY"
5 PERCENT IN DECEMBER (COMPARED TO 12 TO 13 PERCENT
INCREASES IN OCTOBER AND NOVEMBER), WHILE UNFILLED JOB
OFFERS INCREASED NEARLY 9 PERCENT - THE LARGEST SUCH
INCREASE IN OVER TWO YEARS. AGAINST LATTER "IMPROVE-
MENT," HOWEVER, MUST BE WEIGHED DRASTIC DECLINE IN
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PARIS 02151 03 OF 04 241847Z

JOB VACANCIES DURING SECOND HALF 1974, WHICH IN OCTOBER
CULMINATED IN LOWEST LEVEL RECORDED SINCE DECEMBER
1971.

AS RESULT OF ADVERSE MOVEMENTS SEPTEMBER-NOVEMBER,
THEREFORE, (AND DESPITE AMELIORATION IN DECEMBER),
EMPLOYMENT SITUATION NOTABLY DETERIORATED OVER COURSE
OF 1974 WITH OVERALL 56 PERCENT INCREASE IN REGISTERED
UNEMPLOYMENT AND 40 PERCENT DECLINE IN JOB OFFERS.
ASSESSMENT OF CURRENT LABOR SITUATION REPORTED
PARIS 2028.

6. INDUSTRIAL PRODUCTION SLOWED IN FALL -

INDUSTRIAL OUTPUT IN SEPTEMBER AND OCTOBER DECLINED ROUGHLY 5 PERCENT FROM MID-SUMMER LEVELS, ACCORDING TO REVISED FIGURES RELEASED JANUARY 14 BY INSEE (NATIONAL STATISTICS INSTITUTE). OVERALL INSEE INDEX OF INDUSTRIAL PRODUCTION (SEASONALLY ADJUSTED, BASE 1970 AS 100) SET AT 122 FOR BOTH SEPTEMBER AND OCTOBER FOLLOWING RECEIPT OF SURVEY DATA DELAYED BY AUTUMN POSTAL STRIKE.

IN TERMS OF GROWTH OVER YEAR-EARLIER LEVELS, INDICES CONFIRM SLOWDOWN IN FRENCH ECONOMY: FROM RATES AVERAGING 5 PERCENT DURING FIRST EIGHT MONTHS OF 1974 (AND AS HIGH AS 7 PERCENT IN APRIL), SEPTEMBER INDEX REPRESENTED ONLY 1.6 PERCENT INCREASE OVER YEAR-EARLIER LEVEL WHILE OCTOBER INDEX IDENTICAL TO THAT OF OCTOBER 1973.

7. GROWTH IN MONEY SUPPLY ACCELERATES -

UNADJUSTED MONEY SUPPLY, BROADLY DEFINED (M2), ROSE TO 621.0 BILLION FRANCS BY END OCTOBER 1974; CURRENCY AND DEMAND DEPOSITS (M1) TOTALED FF 339.4 BILLION, NEAR-MONIES AMOUNTED TO FF 281.6 BILLION.

SEASONALLY-ADJUSTED FIGURES (PROVISIONAL) SHOW M1 AND NEAR-MONIES INCREASED DURING OCTOBER BY 2.1 AND 2.2 PERCENT, RESPECTIVELY. AT 619.7 BILLION UNCLASSIFIED

UNCLASSIFIED

PAGE 03 PARIS 02151 03 OF 04 241847Z

FRANCS, M2 HAD RISEN 2.3 PERCENT SINCE SEPTEMBER AND 11.7 PERCENT SINCE FIRST OF YEAR; OVER FIRST 10 MONTHS OF 1974, M2 THUS INCREASED AT 14 PERCENT ANNUAL RATE, WHEREAS 12-12.6 PERCENT ANNUAL RATES REGISTERED IN THREE PREVIOUS MONTHS. SINCE OCTOBER 1973 M2 HAD GROWN 16.1 PERCENT.

PROVISIONAL, SEASONALLY-ADJUSTED DATA ON COMPOSITION OF MONEY SUPPLY BY SOURCE SHOWED CREDITS TO THE ECONOMY AT FF 538.6 BILLION (UP 1.0 PERCENT FROM SEPTEMBER), CLAIMS ON PUBLIC SECTOR AT FF 62.8 BILLION (UP 2.3 PERCENT), AND NET FOREIGN EXCHANGE RESERVES AT FF 36.5 BILLION (UP 1.4 PERCENT).

8. COMMODITY IMPORT BILL DOWN ONE-FIFTH IN 1974 -

THE COST OF PRIMARY PRODUCTS IMPORTED BY FRANCE DECLINED AGAIN IN DECEMBER, CONTINUING EIGHT-MONTH

DOWNWARD TREND IN PRICES BROKEN ONLY BY SLIGHT INCREASE
IN OCTOBER. OVERALL INSEE PRICE INDEX FOR COMMODI-
TIES IMPORTED BY FRANCE (BASE 1968 AS 100) DROPPED
4 PERCENT FROM 189.3 IN NOVEMBER TO 181.7 IN DECEMBER.
INDEX HAD FALLEN SOME 20 PERCENT OVER 1974, RETURNING
TO LEVELS LAST RECORDED IN SUMMER OF 1973.

DECLINE IN DECEMBER IMPORT PRICES REFLECTED EVENLY
AMONG COMMODITIES: INDICES FOR INDUSTRIAL PRIMARY

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 PARIS 02151 04 OF 04 241901Z

43

ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04

SIL-01 L-02 H-02 PA-02 PRS-01 USIA-15 /101 W

----- 029212

R 241828Z JAN 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 6166

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL BORDEAUX

AMCONSUL LYON

AMCONSUL MARSEILLE

AMCONSUL NICE

AMCONSUL STRASBOURG

UNCLAS SECTION 04 OF 04 PARIS 02151

PRODUCTS AND FOR PRIMARY FOODSTUFFS BOTH FELL 4 PERCENT
FROM NOVEMBER LEVELS, TO 153.0 AND 231.5, RESPECTIVELY.

9. SAVINGS UP 44 PERCENT -

DEPOSITS WITH SAVINGS BANKS EXCEEDED WITHDRAWALS
BY 18.3 BILLION FRANCS ACCORDING TO PROVISIONAL GOF
DATA FOR 1974, FOR 44 PERCENT INCREASE OVER 1973 LEVEL
OF 12.7 BILLION FRANCS.

10. BUSINESS FAILURES MOUNT IN 1974 -

INSEE STATISTICS ON BUSINESS FAILURES SHOW
11,974 ADJUDICATIONS IN BANKRUPTCY DURING 1974,
AN INCREASE OF 27 PERCENT OVER 1973 TOTAL OF 9.441.
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PARIS 02151 04 OF 04 241901Z

SHARPEST RISE IN FAILURES RECORDED IN BUILDING AND
PUBLIC -WORKS SECTOR (UP 37 PERCENT) AND IN HOTEL AND
RESTAURANT TRADE (UP 33 PERCENT.).

11. OTHER REPORTS SUBMITTED DURING THE PERIOD -
TELEGRAMS

00698 ECONOMICS MINISTER ON GOLD
REVALUATION AND OTHER
FINANCIAL TOPICS JANUARY 10, 1975

00746 ECONOMICS MINISTER ON
ECONOMIC OUTLOOK JANUARY 10, 1975

AIRGRAMS

A-9 FRENCH RESERVES IN
DECEMBER 1974 JANUARY 10, 1975

A-14 FRENCH FOREIGN EXCHANGE
HOLDINGS JANUARY 10, 1975
RUSH

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, FINANCIAL STABILITY, PUBLIC ATTITUDES, SPEECHES
Control Number: n/a
Copy: SINGLE
Draft Date: 24 JAN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975PARIS02151
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750027-0821
From: PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750123/aaaaatti.tel
Line Count: 478
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 9
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 PARIS 00823, 75 JANUARY 10, 75 1975
Review Action: RELEASED, APPROVED
Review Authority: buchant0
Review Comment: n/a
Review Content Flags:
Review Date: 08 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 APR 2003 by RuthemTJ>; APPROVED <07 JAN 2004 by buchant0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FRENCH FINANCIAL AND ECONOMIC DEVELOPMENTS
TAGS: EALR, EFIN, EGEN, FR, (GISCARD D'ESTAING, VALERY)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006